ANNUAL BUDGET OF

MPOFANA MUNICIPALITY

2020/21 TO 2022/23

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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PART 1 – ANNUAL BUDGET

1.1 Mayor's Report

The Mpofana Local Municipality have limited financial resources to satisfy the unlimited needs of the people. The municipality continues to provide electricity to the Mpofana Community at substantial loss as the people are not paying for this service. This is one of the challenges that has resulted in the municipality's dire financial situation which coupled with other challenges has seen the municipality being placed under administration by KZN COGTA in terms of section 139 (1) (b) of the Constitution.

The intervention by KZN COGTA has restored focus on service delivery; enhance revenue collection, improved institutional capacity and performance as well as the attainment of the Constitutional Objects of Local Government.

The municipality is currently operating with an unfunded budget due to escalating operational cost and high outstanding creditors. In order to remedy this situation, cost curtailment measures are being implemented and this is in line with administrators' council adopted recovery plan.

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The Mayor: Cllr. XM Duma

1.2 Council Resolution *(copy attached)*

1.3 Executive Summary

The application of sound financial management principles for the compilation of Mpofana Local Municipality's financial plan is essential and critical to ensure that the municipality recovers from the financial distress without compromising the service delivery and core competencies of the municipality. The communities are still expecting high quality of service more especially the basic services.

This draft budget is informed by the assessment that was done by KZN Provincial Treasury on the adjustment budget. MFMA section 23(1) b states that the municipal council must consider any views of the national treasury, the relevant provincial treasury and any provincial or national organ of the state or municipalities which made submissions on the budget.

The main challenges experienced during the compilation of the budget for the 2020/21 MTREF can be summarised as follows:

- The municipality does not have cash reserves to fund its budget;
- Low collection levels of outstanding debtors;
- Unreliable customer information;
- High indigent rate and or unquantified percentage of indigent customers;
- Aging and poorly maintained infrastructure;
- Huge reliance on commercial customers to fund the poor performing domestic customers with regards to payment of municipal services such as electricity.
- Capital projects can only be funded from grants, no internal funds;
- Long outstanding creditors more specifically the Eskom account; and
- Challenges in the implementation of the *mSCOA.*

1.3.1 Budget assumptions

The following budget principles and guidelines directly informed the compilation of the annual budget 2020/21 MTREF:

- The 2019/20 Adjustment Budget priorities and targets, as well as the base line allocations contained in that Adjustment Budget.
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality;
- No budget was allocated to national and provincial funded projects unless respective grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- Reduction, to a lowest level, of the expenditure relating to the following items:
  - Special Projects;
  - Furniture and office equipment;
  - Special Events;
  - Refreshments and entertainment;
  - Ad-hoc travelling and;
  - Subsistence, Travelling & Conference fees

In view of the aforementioned, the following table is a consolidated overview of the proposed 2020/21 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2020/21 MTREF

R thousands	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Total Operating Revenue	182 819	188 733	196 729
Total Operating Expenditure	(174 426)	(185 672)	(192 558)
(Surplus)/Deficit for the year	**8 393**	**3 061**	**4 171**
Total Capital Expenditure	14 481	15 635	15 614

1.3.2 Total Operating Revenue

Total operating revenue has grown by 8.8%% or R 14.5 million for the 2020/21 financial year when compared to the 2019/20 Adjustments Budget. For the two outer years, operational revenue will increase by 4.5% respectively.

1.3.3 Total Operating Expenditure

Total operating expenditure for the 2020/21 financial year has been appropriated at R176 million and translates into a budgeted surplus of R2.7 million. When compared to the 2019/20 Adjustments Budget, operational expenditure has been reduced by 21 million in the 2020/21. The operating surplus for the two outer years is R 3.6 million and R 4.8 million.

1.3.4 Total Capital Expenditure

The capital budget of R14.4 million for 2020/21 is less by R1.5 million when compared to the 2019/20 Adjustment Budget.

1.4 Operating Revenue Framework

For Mpofana Local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The municipality has identified that there are challenges within its revenue value chain which could potentially be

turned around to opportunities. The municipality is currently faced with an increasing arrear debt which requires urgent attention. Given the challenges in the revenue value chain a revenue enhancement strategy is being formulated which is centered on the following key components:

- National Treasury's guidelines and Standard Operating Procedures
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Data cleansing with assistance of debt collector using TransUnion information
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services;

The following table is a consolidated summary of the draft 2020/21 MTREF *(classified by main revenue source):*

Table 2: Summary of revenue classified by main revenue source

KZN223 Mpofana - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Revenue By Source											
Property rates	2	13 682	10 855	14 613	28 213	20 643	20 643	20 643	14 860	15 529	16 228
Service charges - electricity revenue	2	49 470	61 614	72 492	66 113	80 500	80 500	80 500	85 507	90 826	96 475
Service charges - water revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	3 141	3 386	3 558	4 980	3 795	3 795	3 795	3 955	4 133	4 319
Rental of facilities and equipment		213	71	50	84	28	28	28	30	32	33
Interest earned - external investments		275	397	25	186	258	258	258	270	282	295
Interest earned - outstanding debtors		2 718	3 672	484	3 844	–	–	–	3 844	4 017	4 198
Dividends received						–	–	–			
Fines, penalties and forfeits		7 078	12 805	26	16 256	4 177	4 177	4 177	4 365	4 562	4 767
Licences and permits		3 202	2 153	2 879	3 195	2 933	2 933	2 933	3 409	3 563	3 723
Agency services						–	–	–			
Transfers and subsidies		41 364	33 952	51 275	47 380	47 380	47 380	47 380	58 112	57 267	58 109
Other revenue	2	2 689	5 561	2 360	4 145	5 375	5 375	5 375	8 466	8 523	8 582
Gains			898								
Total Revenue (excluding capital transfers and contributions)		**123 832**	**135 364**	**147 761**	**174 396**	**165 089**	**165 089**	**165 089**	**182 819**	**188 733**	**196 729**

1.4.1 Property Rates

Table 5 Comparison of proposed rates to levy for the 2020/21 financial year

Category	Current Tariff	Ratio	Proposed Tariff	Rural Rebate	Urban Rebate	Other Relief
AGRICULTURAL PROPERTY	0.0033395	25%	0.0018678	40%	0%	
BUSINESS & COMMERCIAL	0.0161301	140%	0.0104594	35%	0%	
INDUSTRIAL	0.0211186	185%	0.0138214	20%	0%	
MUNICIPAL	0.0000000	0%	0.0000000	100%	100%	
PLACE OF WORSHIP	0.0015075	20%	0.0015075	100%	100%	
PROTECTED AREA	0.0000000	0%	0.0000000	100%	100%	
PUBLIC BENEFIT ORGANISATION	0.0077135	25%	0.0018678	0%	0%	
PUBLIC SERVICE INFRASTRUCTURE	0.0039900	100%	0.0039900	100%	100%	
RESIDENTIAL	0.0133577	100%	0.0074710	50%	0%	R 90 000.00
PUBLIC SERVICE PURPOSE	0.0161301	200%	0.0149420	40%	0%	
VACANT LAND	0.0133577	100%	0.0074710	55%	0%	

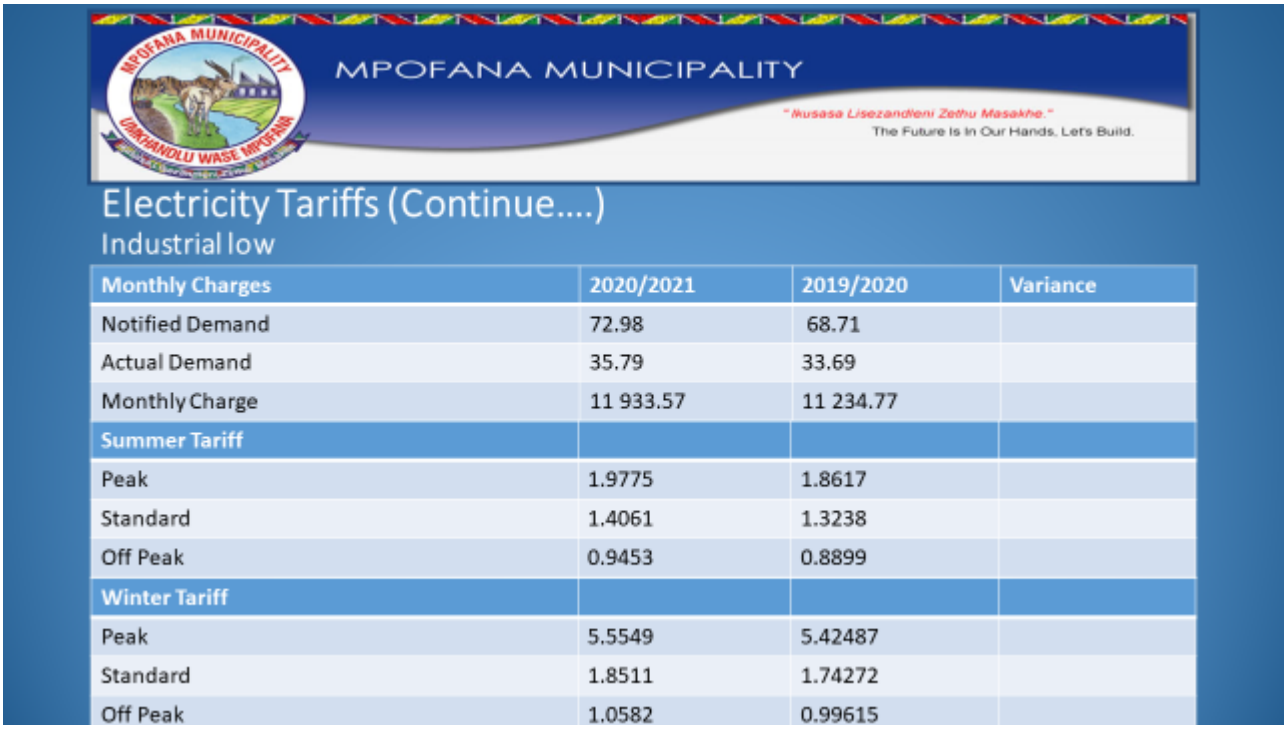
1.4.2 Electricity

The Electricity Charges have been increased by 6.22 percent as per NERSA Tariff Guidelines from the Adjustment Budget for 2019/20 which is about R 2.5 million decrease. The decrease in the electricity tariffs was informed by the MFMA Circular no 99 read in conjunction with the Municipal Tariffs Guideline Increase, Benchmarks and Proposed Timelines for Municipal Tariff Approval Process for the 2020/21 Financial Year and workings as per 2019/2020 actual Kw purchased. The categories of electricity users for purposes of levying the tariffs and the proposed increase for the 2020/21 financial year based on a 6.22 per cent increase from 1 July 2020 is contained below:

Table 6 Comparison between current electricity charges and increases

Electricity Tariffs

Domestic	2020/2021	2019/2020	
0 – 50 kWh	1.0981	1.03384	
51 – 350 kWh	1.4119	1.32921	
351 – 600 kWh	1.9872	1.87077	
601 > kWh	2.3401	2.20310	
Commercial			
Conventional Meter	2.2400	2.12900	
Prepaid Meter	2.3534	1.95950	
Monthly Charge on Conventional Meter only	159.22	151.33	



Electricity Tariffs (Continue....)

Industrial low

Monthly Charges	2020/2021	2019/2020	Variance
Notified Demand	72.98	68.71	
Actual Demand	35.79	33.69	
Monthly Charge	11 933.57	11 234.77	
Summer Tariff			
Peak	1.9775	1.8617	
Standard	1.4061	1.3238	
Off Peak	0.9453	0.8899	
Winter Tariff			
Peak	5.5549	5.42487	
Standard	1.8511	1.74272	
Off Peak	1.0582	0.99615	

MPOFANA MUNICIPALITY

"Ikusasa Lisezandleni Zethu Masakhe."
The Future Is In Our Hands, Let's Build.

Electricity Tariffs (Continue....)

Industrial High

Monthly Charges	2020/2021	2019/2020	Variance
Network Access Charge	38.49	36.24	
Network Demand Charge	44.90	36.94	
Monthly Charge	10 907.03	10 268.34	
Summer Tariff			
Peak	1.3375	1.2592	
Standard	0.9513	0.8956	
Off Peak	0.6397	0.6022	
Winter Tariff			
Peak	3.7807	3.5593	
Standard	1.2351	1.1628	
Off Peak	0.7157	0.6738	

1.4.3 Refuse

The budgeted amount in respect refuse is calculated based on the number of consumers receiving the service in 2019/20 financial year. Based on the Adjustment Budget for 2019/20 financial year refuse charges were increased by 4.5%.

1.4.4 Rental of facilities and equipment

The revenue from rentals has been increased by 4.5% from the Adjustment Budget for 2019/20 which is about R 1 260.

1.4.5 Interest earned – external investment

The interest earned on external investment has been increased by 4.5% from the Adjustment Budget for 2019/20 which is about R 11 619. Given the dire financial situation of the municipality it is expected that the municipality did not invest extensively during the 201920 financial year, however this is expected to improve in the outer years.

1.4.6 Interest earned – Outstanding Debtors

The interest earned on outstanding debtors has been increased by 100% percent from the Adjustment Budget for 2019/20 which is R3 843 958.This is informed by the revenue strategies to ensure that billing in time and interest is charged on debtors not paying for their accounts in time

1.4.7 Fines and penalties

The fines and penalties have been increased by 4.5% from the Adjustment Budget for 2019/20 .

1.4.8 Licenses and permits

The revenue from rentals has been increased by 16.24% from the Adjustment Budget for 2019/20 which is about R 476 457. The increase is based on the 1920 actual collections for licence and permits

Operating Transfers and Grant Receipts

KZN223 Mpofana - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		**30 518**	**32 125**	**42 956**	**44 207**	**44 207**	**44 207**	**55 864**	**54 929**	**55 656**
Local Government Equitable Share		27 693	29 225	33 002	35 624	35 624	35 624	44 318	40 329	42 456
Integrated National Electrification Programme		1 825	1 900	6 984	5 000	5 000	5 000	5 000	10 000	9 000
Finance Management				1 970	2 435	2 435	2 435	2 800	3 100	3 200
EPWP Incentive		1 000	1 000	1 000	1 148	1 148	1 148	1 211		
Municipal Systems Improvement								2 535	1 500	1 000
Other transfers/grants [insert description]										
Provincial Government:		**1 122**	**1 489**	**2 065**	**3 173**	**2 173**	**2 173**	**2 248**	**2 338**	**2 453**
Pronincialisation of Libraries					1 760	1 760	1 760	1 809	1 871	1 964
Community Library Service Grant					211	211	211	226	242	254
Museum					202	202	202	213	225	235
Ward base progremme									–	
Schemse support programme		1 122	1 489	2 065	1 000					
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]										
Total Operating Transfers and Grants	5	**31 640**	**33 614**	**45 021**	**47 380**	**46 380**	**46 380**	**58 112**	**57 267**	**58 109**
Capital Transfers and Grants										
National Government:		**11 680**	**12 164**	**13 878**	**12 031**	**12 031**	**12 031**	**11 981**	**12 635**	**13 114**
Municipal Infrastructure Grant (MIG)		11 680	12 164	13 878	12 031	12 031	12 031	11 981	12 635	13 114
Other capital transfers/grants [insert desc]										
Provincial Government:		–	–	–	–	–	–	–	**500**	–
Other capital transfers/grants [insert description]									500	
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]										
Total Capital Transfers and Grants	5	**11 680**	**12 164**	**13 878**	**12 031**	**12 031**	**12 031**	**11 981**	**13 135**	**13 114**
TOTAL RECEIPTS OF TRANSFERS & GRANTS		**43 320**	**45 778**	**58 899**	**59 411**	**58 411**	**58 411**	**70 093**	**70 402**	**71 223**

1.5 Expenditure

1.5.1 Operating Expenditure

The following table is a high level summary of the 2020/21budget and MTREF *(classified per main type of operating expenditure):*

Operating Expenditure

KZN223 Mpofana - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Expenditure By Type											
Employee related costs	2	33 459	39 720	46 763	39 834	43 298	43 298	43 298	46 113	48 188	50 357
Remuneration of councillors		2 718	2 525	2 702	2 691	2 544	2 544	2 544	2 544	2 658	2 778
Debt impairment	3	16 350	18 103	17 352	14 494	16 887	16 887	16 887	11 647	12 171	12 719
Depreciation & asset impairment	2	12 942	19 213	21 333	17 078	17 078	17 078	17 078	17 847	18 650	19 490
Finance charges		385	2 145	1 696		20 804	20 804	20 804	–	–	–
Bulk purchases	2	57 468	58 252	64 644	74 424	71 310	71 310	71 310	68 768	71 863	75 096
Other materials	8								1 550	1 620	1 693
Contracted services		7 132	4 038	4 440	9 790	13 790	13 790	13 790	9 512	9 919	10 346
Transfers and subsidies		–	–	–	–	–	–	–	–	–	–
Other expenditure	4, 5	30 532	37 865	41 296	9 720	12 122	12 122	12 122	16 446	20 603	20 080
Losses			–	646							
Total Expenditure		**160 985**	**181 860**	**200 874**	**168 031**	**197 833**	**197 833**	**197 833**	**174 426**	**185 672**	**192 558**
Surplus/(Deficit)		**(37 154)**	**(46 496)**	**(53 113)**	**6 365**	**(32 745)**	**(32 745)**	**(32 745)**	**8 393**	**3 061**	**4 171**

1.5.2 Employee Related Costs

The budgeted allocation for employee related costs for the 2020/21 financial year totals R 46 113 million, which equals 24% of the total operating expenditure. Salary increases have been factored into this budget and salaries of strategic positions to be filled. The municipality is also implementing cost curtailment measures; the overtime and acting allowances for employees has been reduced to bear minimum on the draft budget.

1.5.3 Remuneration of Councillors

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998).**a provision has not been made for increment for councillors as approval was not granted by MEC of KZN COGTA.**

1.5.4 Debt impairment

In an attempt to minimise debt write offs and as part of revenue collection, the municipality is in the process of appointing debt collectors with the sole purpose of ensuring maximum recovery of

outstanding debts. This process has already started and parallel to it is the implementation of revenue enhancement strategies with will also improve customer services. Therefore against this background and the provisional calculations of provision for debt an amount of R 11 647 million has been put aside as debt impairment for 2020/21

1.5.5 Depreciation

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. The municipality budgeted R17 847 million on the 2020/21 financial year.

1.5.6 Finance charges

Finance charges consist primarily of the interest payment on the Eskom outstanding account. Whilst the municipality is in court to conclude a repayment plan for the Eskom account and the municipality anticipates that the processes will be concluded by the new financial year. No budget for finance charges.

1.5.7 Bulk Electricity Purchases

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions.

1.5.8 Contracted services

The municipality is implementing cost curtail measures which will also focus on the review of existing and expired contracts the municipality has with service providers. Non-priority contracted expenditures will be reviewed with an intention to reduce commitments on non-essential services.

1.5.9 Other expenditure

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Furthermore non-priority expenditures have been reduced to zero. All the others have been reduced to a minimum.

1.5 Cash flow Table

KZN223 Mpofana - Table A7 Budgeted Cash Flows

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		11 457	13 039	11 990	23 981	16 514	16 514	16 514	12 631	13 976	15 417
Service charges		40 406	66 242	69 841	58 935	73 884	73 884	73 884	74 263	83 603	93 811
Other revenue		5 090	4 091	–	15 143	8 754	8 754	8 754	13 652	14 170	14 722
Transfers and Subsidies - Operational	1	41 598	39 255	44 275	47 380	47 125	47 125	47 125	58 112	57 267	58 109
Transfers and Subsidies - Capital	1	11 680	12 164	20 878	12 031	16 031	16 031	16 031	11 981	13 135	13 114
Interest		275	2 253	509	4 030	258	258	258	4 114	4 299	4 492
Dividends									–	–	–
Payments											
Suppliers and employees		(91 387)	(110 072)	(117 137)	(149 450)	(126 134)	(126 134)	(126 134)	(150 932)	(163 850)	(181 349)
Finance charges		(385)	(2 145)	(1 696)		(20 804)	(20 804)	(20 804)	–	–	–
Transfers and Grants	1					–	–	–	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES		**18 734**	**24 827**	**28 662**	**12 050**	**15 629**	**15 629**	**15 629**	**23 821**	**22 600**	**18 316**
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE									–	–	–
Decrease (increase) in non-current receivables									–	–	–
Decrease (increase) in non-current investments									–	–	–
Payments											
Capital assets		(41 600)	(12 417)	(21 261)	(12 031)	(16 031)	(16 031)	(16 031)	(14 182)	(15 135)	(15 614)
NET CASH FROM/(USED) INVESTING ACTIVITIES		**(41 600)**	**(12 417)**	**(21 261)**	**(12 031)**	**(16 031)**	**(16 031)**	**(16 031)**	**(14 182)**	**(15 135)**	**(15 614)**
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									–	–	–
Borrowing long term/refinancing									–	–	–
Increase (decrease) in consumer deposits									–	–	–
Payments											
Repayment of borrowing			(4 024)	(4 675)		(3 237)	(3 237)	(3 237)	(8 581)	(7 035)	(2 216)
NET CASH FROM/(USED) FINANCING ACTIVITIES		**–**	**(4 024)**	**(4 675)**	**–**	**(3 237)**	**(3 237)**	**(3 237)**	**(8 581)**	**(7 035)**	**(2 216)**
NET INCREASE/ (DECREASE) IN CASH HELD		**(22 866)**	**8 385**	**2 726**	**19**	**(3 639)**	**(3 639)**	**(3 639)**	**1 057**	**430**	**486**
Cash/cash equivalents at the year begin:	2	**4 944**	**497**	**2 412**	**497**	**5 139**	**5 139**	**5 139**	**3 196**	**4 253**	**4 683**
Cash/cash equivalents at the year end:	2	**(17 922)**	**8 882**	**5 138**	**516**	**1 500**	**1 500**	**1 500**	**4 253**	**4 683**	**5 169**

NB: Included in the cash flow – Payment to suppliers and employees is the Eskom, AGSA repayments and repayments of borrowing (payment to leases).

Budget Summary

KZN223 Mpofana - Table A1 Budget Summary

Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Financial Performance										
Property rates	**13 682**	10 855	14 613	28 213	20 643	20 643	20 643	14 860	15 529	16 228
Service charges	52 611	65 000	76 049	71 093	84 295	84 295	84 295	89 462	94 959	100 794
Investment revenue	275	397	25	186	258	258	258	270	282	295
Transfers recognised - operational	41 364	33 952	51 275	47 380	47 380	47 380	47 380	58 112	57 267	58 109
Other own revenue	15 900	25 160	5 798	27 524	12 512	12 512	12 512	20 115	20 696	21 304
Total Revenue (excluding capital transfers and contributions)	123 832	135 364	147 761	174 396	165 089	165 089	165 089	182 819	188 733	196 729
Employee costs	33 459	39 720	46 763	39 834	43 298	43 298	43 298	46 113	48 188	50 357
Remuneration of councillors	2 718	2 525	2 702	2 691	2 544	2 544	2 544	2 544	2 658	2 778
Depreciation & asset impairment	12 942	19 213	21 333	17 078	17 078	17 078	17 078	17 847	18 650	19 490
Finance charges	385	2 145	1 696	–	20 804	20 804	20 804	–	–	–
Materials and bulk purchases	57 468	58 252	64 644	74 424	71 310	71 310	71 310	70 318	73 482	76 789
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	54 014	60 005	63 735	34 004	42 799	42 799	42 799	37 605	42 693	43 144
Total Expenditure	160 985	181 860	200 874	168 031	197 833	197 833	197 833	174 426	185 672	192 558
Surplus/(Deficit)	(37 154)	(46 496)	(53 113)	6 365	(32 745)	(32 745)	(32 745)	8 393	3 061	4 171
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	13 477	13 267	15 239	12 031	12 031	12 031	12 031	11 981	12 635	13 114
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	–	–	–	–	–	–	–	–	500	–
Surplus/(Deficit) after capital transfers & contributions	(23 677)	(33 229)	(37 874)	18 396	(20 714)	(20 714)	(20 714)	20 374	16 196	17 285
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(23 677)	(33 229)	(37 874)	18 396	(20 714)	(20 714)	(20 714)	20 374	16 196	17 285
Capital expenditure & funds sources										
Capital expenditure	**13 477**	13 267	15 239	12 281	12 031	12 031	12 031	14 182	15 135	15 614
Transfers recognised - capital	**11 680**	12 164	13 878	12 031	12 031	12 031	12 031	11 682	13 135	13 114
Borrowing	**–**	–	–	–	–	–	–	–	–	–
Internally generated funds	**1 797**	1 103	1 361	250	–	–	–	2 500	2 500	2 500
Total sources of capital funds	**13 477**	13 267	15 239	12 281	12 031	12 031	12 031	14 182	15 635	15 614
Financial position										
Total current assets	**45 260**	67 514	93 706	90 483	92 104	92 104	92 104	152 280	156 520	187 016
Total non current assets	**170 985**	170 130	174 157	152 018	174 086	174 086	174 086	186 365	191 365	200 365
Total current liabilities	**88 994**	162 340	222 701	124 443	163 865	163 865	163 865	202 862	192 362	169 862
Total non current liabilities	**38 578**	34 352	33 114	34 825	33 113	33 113	33 113	28 417	29 696	31 033
Community wealth/Equity	**37 440**	72 275	36 289	62 797	23 687	23 687	23 687	61 881	60 951	65 035
Cash flows										
Net cash from (used) operating	**18 734**	24 827	28 662	12 050	15 629	15 629	15 629	23 821	22 600	18 316
Net cash from (used) investing	**(41 600)**	(12 417)	(21 261)	(12 031)	(16 031)	(16 031)	(16 031)	(14 182)	(15 135)	(15 614)
Net cash from (used) financing	**–**	(4 024)	(4 675)	–	(3 237)	(3 237)	(3 237)	(8 581)	(7 035)	(2 216)
Cash/cash equivalents at the year end	**(17 922)**	8 882	5 138	516	1 500	1 500	1 500	4 253	4 683	5 169
Cash backing/surplus reconciliation										
Cash and investments available	**497**	2 412	5 139	2 037	3 537	3 537	3 537	4 253	4 683	7 169
Application of cash and investments	**51 217**	100 215	139 210	48 409	80 737	80 737	80 737	79 862	59 656	5 372
Balance - surplus (shortfall)	**(50 720)**	(97 803)	(134 071)	(46 372)	(77 200)	(77 200)	(77 200)	(75 609)	(54 973)	1 797
Asset management										
Asset register summary (WDV)	**170 985**	170 130	174 157	152 017	174 334	174 334	174 334	186 365	191 365	200 365
Depreciation	**12 942**	19 213	21 333	17 078	17 078	17 078	17 078	17 847	18 651	19 490
Renewal and Upgrading of Existing Assets	**13 477**	13 267	15 239	6 285	6 285	6 285	6 285	7 950	12 635	13 114
Repairs and Maintenance	**394**	4 030	3 350	3 205	1 500	1 500	1 500	1 785	1 865	1 950
Free services										
Cost of Free Basic Services provided	**–**	–	–	–	–	–	–	–	–	–
Revenue cost of free services provided	**–**	–	–	4 904	17 085	17 085	3 678	3 678	2 898	3 031
Households below minimum service level										
Water:	–	–	–	–	–	–	–	–	–	–
Sanitation/sewerage:	–	–	–	–	–	–	–	–	–	–
Energy:	–	–	–	–	–	–	–	–	–	–
Refuse:	–	–	–	–	–	–	–	–	–	–

Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Capital expenditure - Vote											
Multi-year expenditure ***to be appropriated***	2										
Executive & Council		–	–	–	–	–	–	–	–	–	–
Corporate		–	–	–	250	250	250	250	2 800	2 500	2 500
Budget & Treasury		–	–	–	–	–	–	–	–	–	–
Youth Economic Development		–	–	–	2 946	2 946	2 946	2 946	1 055	2 044	–
Technical		13 477	13 267	15 239	9 085	9 085	9 085	9 085	10 327	10 591	13 114
Vote 6 - [NAME OF VOTE 6]		–	–	–	–	–	–	–	–	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	7	**13 477**	**13 267**	**15 239**	**12 281**	**12 281**	**12 281**	**12 281**	**14 182**	**15 135**	**15 614**
Single-year expenditure ***to be appropriated***	2										
Executive & Council		–	–	–	–	–	–	–	–	–	–
Corporate		–	–	–	–	–	–	–	–	–	–
Budget & Treasury		–	–	–	–	–	–	–	–	–	–
Youth Economic Development		–	–	–	–	–	–	–	–	–	–
Technical		–	–	–	–	–	–	–	–	–	–
Vote 6 - [NAME OF VOTE 6]		–	–	–	–	–	–	–	–	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Capital Expenditure - Vote		**13 477**	**13 267**	**15 239**	**12 281**	**12 281**	**12 281**	**12 281**	**14 182**	**15 135**	**15 614**
Capital Expenditure - Functional											
Governance and administration		**–**	**–**	**–**	**250**	**–**	**–**	**–**	**2 800**	**2 500**	**2 500**
Executive and council											
Finance and administration					250				2 800	2 500	2 500
Internal audit											
Community and public safety		**–**	**–**	**–**	**2 946**	**2 946**	**2 946**	**2 946**	**1 055**	**2 044**	**–**
Community and social services					2 946	2 946	2 946	2 946	1 055	2 044	
Sport and recreation											
Public safety											
Housing											
Health											
Economic and environmental services		**13 477**	**13 267**	**15 239**	**9 085**	**9 085**	**9 085**	**9 085**	**10 327**	**10 591**	**13 114**
Planning and development											
Road transport		13 477	13 267	15 239	9 085	9 085	9 085	9 085	10 327	10 591	13 114
Environmental protection											
Trading services		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Energy sources											
Water management											
Waste water management											
Waste management											
Other											
Total Capital Expenditure - Functional	3	**13 477**	**13 267**	**15 239**	**12 281**	**12 031**	**12 031**	**12 031**	**14 182**	**15 135**	**15 614**
Funded by:											
National Government		11 680	12 164	13 878	12 031	12 031	12 031	12 031	11 682	12 635	13 114
Provincial Government											
District Municipality											
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions)										500	
Transfers recognised - capital	4	**11 680**	**12 164**	**13 878**	**12 031**	**12 031**	**12 031**	**12 031**	**11 682**	**13 135**	**13 114**
Borrowing	6										
Internally generated funds		1 797	1 103	1 361	250				2 500	2 500	2 500
Total Capital Funding	7	**13 477**	**13 267**	**15 239**	**12 281**	**12 031**	**12 031**	**12 031**	**14 182**	**15 635**	**15 614**

Table 16 MBRR Table A6 - Budgeted Financial Position

KZN223 Mpofana - Table A6 Budgeted Financial Position

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
ASSETS											
Current assets											
Cash		497	2 412	5 139	2 037	1 500	1 500	1 500	4 253	4 683	5 169
Call investment deposits	1					2 037	2 037	2 037			2 000
Consumer debtors	1	41 604	58 767	72 912	84 933	72 912	72 912	72 912	89 350	90 651	116 278
Other debtors		2 529	5 575	14 988	2 816	14 988	14 988	14 988	58 010	60 519	62 902
Current portion of long-term receivables		400	400	400	497	400	400	400	400	400	400
Inventory	2	231	360	267	200	267	267	267	267	267	267
Total current assets		**45 260**	**67 514**	**93 706**	**90 483**	**92 104**	**92 104**	**92 104**	**152 280**	**156 520**	**187 016**
Non current assets											
Long-term receivables											
Investments											
Investment property		15 491	23 608	22 945	18 122	22 945	22 945	22 945	22 945	22 945	22 945
Investment in Associate											
Property, plant and equipment	3	154 262	145 530	150 445	133 376	150 621	150 621	150 621	162 652	167 652	176 652
Biological		111	111	128	115	115	115	115	128	128	128
Intangible		1 122	881	640	404	404	404	404	640	640	640
Other non-current assets											
Total non current assets		**170 985**	**170 130**	**174 157**	**152 018**	**174 086**	**174 086**	**174 086**	**186 365**	**191 365**	**200 365**
TOTAL ASSETS		**216 245**	**237 644**	**267 863**	**242 501**	**266 189**	**266 189**	**266 189**	**338 645**	**347 885**	**387 381**
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	3 446	4 666	4 991	4 991	4 991	4 991	4 991	–	–	–
Consumer deposits		321	327	338	266	338	338	338	338	338	338
Trade and other payables	4	81 798	153 796	213 779	116 252	154 943	154 943	154 943	198 930	188 430	165 930
Provisions		3 429	3 551	3 593	2 934	3 593	3 593	3 593	3 593	3 593	3 593
Total current liabilities		**88 994**	**162 340**	**222 701**	**124 443**	**163 865**	**163 865**	**163 865**	**202 862**	**192 362**	**169 862**
Non current liabilities											
Borrowing		19 514	14 040	9 041	–	–	–	–	–	–	–
Provisions		19 064	20 311	24 073	34 825	33 113	33 113	33 113	28 417	29 696	31 033
Total non current liabilities		**38 578**	**34 352**	**33 114**	**34 825**	**33 113**	**33 113**	**33 113**	**28 417**	**29 696**	**31 033**
TOTAL LIABILITIES		**127 572**	**196 692**	**255 815**	**159 268**	**196 979**	**196 979**	**196 979**	**231 279**	**222 058**	**200 894**
NET ASSETS	5	**88 673**	**40 952**	**12 048**	**83 232**	**69 211**	**69 211**	**69 211**	**107 366**	**125 827**	**186 486**
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		37 440	72 275	36 289	62 797	23 687	23 687	23 687	61 881	60 951	65 035
Reserves	4	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	**37 440**	**72 275**	**36 289**	**62 797**	**23 687**	**23 687**	**23 687**	**61 881**	**60 951**	**65 035**

Table 17 MBRR Table A7 - Cash Backed Reserves / Accumulated Surplus Reconciliation

KZN223 Mpofana - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Cash and investments available											
Cash/cash equivalents at the year end	1	(17 922)	8 882	5 138	516	1 500	1 500	1 500	4 253	4 683	5 169
Other current investments > 90 days		18 418	(6 470)	1	1 521	2 037	2 037	2 037	–	–	2 000
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–
Cash and investments available:		**497**	**2 412**	**5 139**	**2 037**	**3 537**	**3 537**	**3 537**	**4 253**	**4 683**	**7 169**
Application of cash and investments											
Unspent conditional transfers		17 429	16 624	15 263	16 092	15 263	15 263	15 263	15 263	13 763	12 263
Unspent borrowing		–	–	–	–	–	–		–	–	–
Statutory requirements	2										
Other working capital requirements	3	33 788	83 591	123 946	32 317	65 474	65 474	65 474	64 599	45 893	(6 891)
Other provisions											
Long term investments committed	4	–	–	–	–	–	–	–	–		–
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		**51 217**	**100 215**	**139 210**	**48 409**	**80 737**	**80 737**	**80 737**	**79 862**	**59 656**	**5 372**
Surplus(shortfall)		**(50 720)**	**(97 803)**	**(134 071)**	**(46 372)**	**(77 200)**	**(77 200)**	**(77 200)**	**(75 609)**	**(54 973)**	**1 797**

Municipal manager's quality certificate

I **Mr. Elphas Hlulukwenza Dladla** municipal manager of Mpofana Local Municipality, hereby certify that the 2020/21 budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the 2020/21 annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: Mr. EH Dladla

Municipal Manager of Mpofana Local Municipality

Signature: _____

Date : _____